



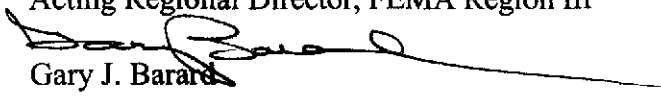
# DEPARTMENT OF HOMELAND SECURITY

Office of Inspector General  
Atlanta Field Office – Audit Division  
3003 Chamblee Tucker Rd  
Atlanta, GA 30341

September 11, 2003

## MEMORANDUM

TO: Patricia Arcuri  
Acting Regional Director, FEMA Region III

FROM:   
Gary J. Barard  
Field Office Director

SUBJECT: Washington Metropolitan Area Transit Authority  
Washington, D.C.  
FEMA Disaster No. 1325-DR-DC  
Audit Report No. DA-29-03

The Office of Inspector General (OIG) audited public assistance funds awarded to the Washington Metropolitan Area Transit Authority, Washington, D.C. The objective of the audit was to determine whether the Authority accounted for and expended FEMA funds according to federal regulations and FEMA guidelines.

The Authority received an award of \$732,689 from the District of Columbia Emergency Management Agency, a FEMA grantee, to remove snow and provide emergency protective measures as a result of a snowstorm in January 2000. The award provided 75 percent FEMA funding for 2 large projects and 1 small project<sup>1</sup>. Audit work was limited to the \$723,807 awarded and claimed under the 2 large projects, as follows:

Project Number	Amount Awarded	Amount Claimed
6	\$154,601	\$154,601
18	569,206	569,206
Total	<u>\$723,807</u>	<u>\$723,807</u>

The audit covered the period January 2000 to May 2000. During this period, the Authority received \$542,855 of FEMA funds under the 2 large projects.

<sup>1</sup> According to FEMA regulations, a large project costs \$48,900 or more and a small project costs less than \$48,900.

The OIG performed the audit under the authority of the Inspector General Act of 1978, as amended, and according to generally accepted government auditing standards. The audit included tests of the Authority's accounting records, a judgmental sample of expenditures, and other auditing procedures considered necessary under the circumstances.

## RESULTS OF AUDIT

The Authority did not retain all project financial records for the period prescribed by federal regulations. Additionally, the Authority's claim included questioned costs of \$6,864 (FEMA Share \$5,148) resulting from excessive material charges.

- A. Record Retention. The Authority could not provide the OIG with source documents (i.e. employee timesheets and inventory requisition slips) to support charges for force account labor and materials charged to the FEMA projects. Federal regulation (44 CFR 13.42) requires subgrant recipients to retain financial records, including source documentation, for three years after submitting its final claim.

In this case, the Authority submitted its final claim to the grantee on May 25, 2000, and based on federal regulation, should have retained all project records through May 24, 2003. The OIG noted that the Authority retained summary records that indicated the total tons of material used on a particular day and the total daily labor costs of employees who performed work under the projects. Absent, however, were inventory requisition records identifying materials withdrawn daily from its inventory and used for project purposes, and employee time sheets attesting to hours worked under the projects. Consequently, appropriate auditing techniques could not be applied to obtain reasonable assurance about the accuracy and eligibility of costs claimed under the projects.

Despite a lack of detailed records, available evidence indicated that the Authority's claim may be reasonably accurate. When FEMA approved the project, 100 percent of the snow removal and emergency services work was completed and the FEMA inspector reportedly used the Authority's daily material usage logs and employee timesheets to arrive at the approved project award amount. However, based on a review of available summary records, we determined that the Department's claim included excessive material costs of \$6,864 (see Finding B).

- B. Excessive Material Charges. The Authority's claim for material usage under Project 18 included \$26,700 for rock salt based on 600 tons at \$44.50 per ton. However, the OIG determined that the correct rate was \$33.06 per ton, or \$11.44 less per ton than the amount claimed. Accordingly, the OIG questions the excess material charges of \$6,864 (600 tons x \$11.44).

## RECOMMENDATIONS

The OIG recommends that the Regional Director, in coordination with the grantee:

1. Instruct the Authority to retain financial records for future FEMA projects for the period prescribed by federal regulation; and
2. Disallow the \$6,864 of questioned costs.

## DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

The results of the audit were discussed with FEMA, grantee, and Authority officials on July 29, 2003. Authority officials concurred with the findings.

Please advise the Atlanta Field Office – Audit Division by October 13, 2003, of the actions taken to implement the OIG recommendations. Should you have any questions concerning this report, please contact me or David Kimble at (770) 220-5242.